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**INFORMATION REPORT**

COUNTRY Yugoslavia  
SUBJECT Economic Policies

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Five Year Plan

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1. Press reports on the Five Year Plan are not true, and are issued purely for internal consumption. Even the official data and that presented to the International Statistical Conference are not accurate. There is much talk of new factories in the press, but little actual evidence that any exist. Most of the attention of the Five Year Plan is still being devoted to the rehabilitation of old factories. The plan is being devoted mainly to preparation for war.

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**The Danube**

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5. There is no question in the minds of the government officials of the Eastern European states that all outside interests and traffic must be excluded from the Danube. The Soviets have no intention of living up to the peace treaty provisions guaranteeing freedom of navigation on the Danube, and will presumably encourage the violation of this clause by the ex-enemy countries. At the forthcoming Danube Conference it is expected that the Eastern European proposal will be for an arrangement not unlike the German-Soviet arrangement worked out in 1940, and that all but riparian states will be completely excluded. The references made to "arrangements concerning the tributary streams to the Danube basin" in connection with conversations among the Eastern European countries apparently refer to the use of the Danube waters for irrigation.
6. A Yugoslav delegation was sent to Hungary about six months ago to work out with the Hungarians a joint operation of the drainage and irrigation canals and pumps in the Vojvodina and adjacent Hungarian area. This system was originally constructed in the days of the Austro-Hungarian Empire and, if effectively operated, would make available a good deal of additional land to Yugoslavia. Although the Yugoslav and Hungarian technicians were able to agree upon an effective arrangement, the Yugoslav negotiators were recalled and their proposals put aside by the Yugoslav Government on political grounds.

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